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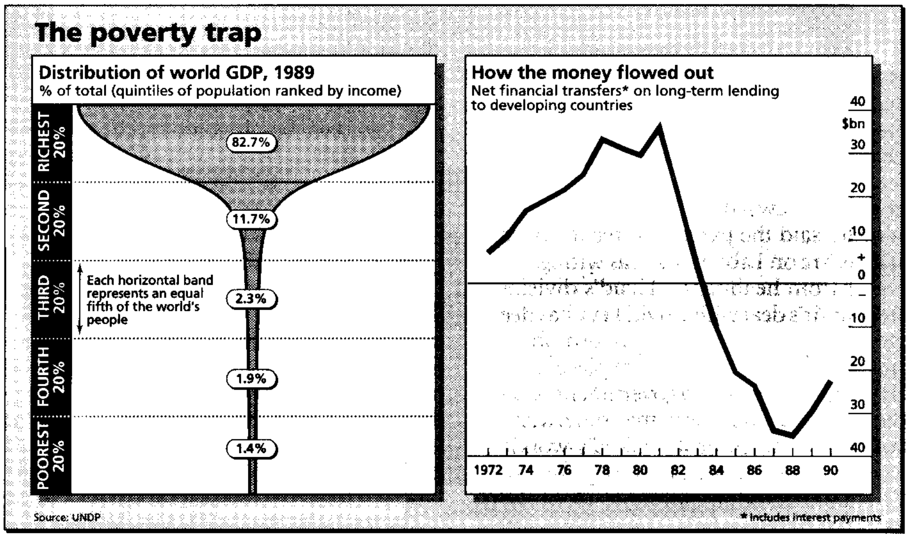
World development

Why the poor don't catch up



Source: UNDP

*Includes interest payments

AS THE rich got richer more quickly than ever before, the poor lagged behind. Since 1960 the countries where the richest 20% of the world's people live increased their share of gross world product from 70.2% to 82.7%. Those countries are now 60 times better off than those where the poorest fifth of the world's people live. The gap between the two groups has grown twice as wide in 30 years.

This bleak sum, worked out by the United Nations Development Programme for the 1992 edition of its "Human Development Report", understates the gap between rich and poor. Prosperous countries may contain many poor people, and poor countries a few very rich ones. The disparity of income between the world's richest billion and its poorest billion is probably, says the UNDP, more than 150 to one.

When very rich and very poor people live near each other, it can be dangerous as well as distasteful. For example, the UNDP reckons that the top 20% of Brazilians get 26 times (other studies say 33 times) as much as the poorest 20%. Most Brazilians worry about that contrast, which is far smaller than that between the richest and the poorest nations. True, poor countries are unlikely to rob or mug rich ones (some think the risk is the other way round). But the poor have different ways of threatening the rich. They despoil the environment (burning down the rain forest), foster disease (AIDS in Africa), destabilise regional politics (Haiti in the Caribbean). Above all, they contribute little to the world economy, as producers or as consumers; they do just 1% of formal world trade, and receive 0.2% of world private investment.

Development aid is meant to help put the balance right. But the UNDP says it is inadequate in amount and often inappropriate in form. The largest rich countries (notably America and Japan) give less per person than their smaller counterparts. Most aid goes to those who need it least; the richer 40% of the developing world's people get twice as much aid per person as the poorer 40%. Countries that spend more than 4% of GDP on their armed forces get twice as much aid per person as more peaceable places. And the upshot of decades of lending for development is that poor countries have lately been transferring more than $21 billion a year into the coffers of the rich.

The UNDP says that aid can work: even in very poor countries many indicators of living standards show signs of improvement. But trade works better. The countries where social progress has moved fastest are those—notably in East Asia but in Latin America too—that have liberalised their domestic and foreign-trade policies. The trouble is that rich countries have frustrated poor countries' attempts at freer trade. Agricultural protection by rich countries is notorious. Western Europe and America vie with each other to ban farm imports and dump their own subsidised surpluses, blocking their poorer competitors.

Trade in manufactures is frustrated in subtler ways. Led by the East Asian tigers, poor countries in the 30 years before 1990 increased their share of world exports of manufactures from 4% to 19%. But the rich countries, far from welcoming that triumph, responded by increasing tariffs and tightening restrictions on imports from developing countries.

The UNDP reckons that 20 out of 24 industrial countries are now more protectionist than they were a decade ago. The iniquitous Multi-Fibre Arrangement, for instance, is thought by the World Bank to cut $75 billion off developing countries' potential exports of textiles. By the end of 1990 GATT members had put in place 284 arrangements for stopping their own people buying cheap products from developing countries.

Even free trade's keenest advocates draw the line at freeing the international labour market. In production of people, developing nations far outstrip their richer counterparts. Only the oil producers of the Middle East take advantage of the resulting pool of cheap and diligent workers, who send large sums home to their families. Japan almost entirely excludes migrants from poor countries; Europe tries to do so, but with less success. America, Australia and Canada admit workers selectively, with a strong preference for those with useful skills.

One result is that poor countries lose a disproportionate number of those they most need. In the 1970s 12% of the qualified professional people in the Philippines migrated to America. Ghana is desperately short of doctors; more than half of those the country educated in the early 1980s have left for countries where work is more lucrative. The logical answer, if rich countries do not want to admit poor people, is that they should invest in the poor people's countries. But firms will not invest in making things abroad if they are prevented from exporting what they make.

Bolivia

Slippery slope

FROM OUR BOLIVIA CORRESPONDENT

WILL coups spread through the Andes? The day after Peru's president shut down his country's Congress, President Jaime Paz Zamora of Bolivia warned the Bolivian legislature that it should start working properly unless it wanted to be "eliminated". Frustrated by the workings of democracy, Mr Paz wanted to give his fellow-politicians a shock. The international reaction to Mr Fujimori's coup in Peru should deter him from doing likewise. Desperate for foreign investment and aid, the last thing Bolivia needs is the kind of attention Peru has attracted.

Unrest is simmering among the people. Mr Paz is locked into the pursuit of free-market reforms, which hurt. Any change of policy would mean the loss of support from the International Monetary Fund, without which Bolivia cannot hope to sort out its old debts and get new credit. Since the end of military dictatorship in 1982, the country's economic success has been remarkable. Inflation is down from a world high of 24,000% to a hoped-for 10% this year. Growth for 1992 may reach 3.5% or 4%. But the cooking-pots are still empty. One of the